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Cnooc Pays \$2.27 Billion For Nigerian Oil, Gas Stake

**Chinese Firm Recovers
From Unocal Blow
With Its Biggest Deal**

By KATE LINEBAUGH in Hong Kong and SHAI OSTER in Beijing
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Cnooc Ltd. announced the \$2.27 billion purchase of a 45% stake in a Nigerian offshore oil and gas field, its biggest acquisition and a sign China's largest offshore oil company has moved beyond its bitter defeat in last year's battle for Unocal Corp.

Cnooc will invest an additional \$2.25 billion toward the \$5 billion capital expenditure required to develop the Akpo field, which is expected to begin production in 2008. The deal will be financed out of Cnooc's own cash and is expected to be completed in the first half, subject to approval by the Nigerian National Petroleum Corp. and the Chinese government, Cnooc said.

"This is a world-class asset," Cnooc Chief Executive Fu Chengyu said in an interview, "and this also feeds into our strategy and is very highly attractive in value."


Cnooc's success resulted from the misfortune of India's largest oil and gas company, Oil & Natural Gas Corp. Its international-exploration subsidiary, ONGC Videsh Ltd., won the bidding for the Akpo field in December -- only to have the purchase blocked by the Indian government. The Indian cabinet contended that the bid of more than \$2 billion wasn't commercially viable, providing the opportunity for Cnooc to move in.

China's oil companies have been on the prowl globally, outbidding competitors in Ecuador, Kazakhstan and now Nigeria, as the country tries to secure oil resources to keep up with its booming economic growth. This transaction differs in that Cnooc expects to sell the oil and gas to Europe and the U.S. rather than to China, which can acquire energy reserves more cheaply from fields closer to home.

"The added oil supply will help ease up the uncertainty in demand, which has been caused by emerging oil consumers like China and India," said Han Xiaoping, chief information officer at Falcon Power Ltd., an energy consulting firm based in Beijing. "So eventually, it will help improve China's energy security."

China and India have been intensely competing for global oil assets, frequently bidding against each other and helping drive up the price of oil and gas fields throughout the world. In August, the countries decided to selectively pursue such assets jointly. Last month, a joint venture between

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India's ONGC and state-run China National Petroleum Corp. successfully bid for a stake in **Petro-Canada's** oil field in Syria. This week, India's Petroleum Minister Mani Shankar Aiyar is leading a delegation to China to further foster ties, and will meet with Cnooc's Mr. Fu.

The frequency and success of such joint ventures remains to be seen. Still, the prospect of China and India cooperating in bids worries Western oil majors, which see Asia's national oil companies as willing to pay more and accept a lower rate of return to secure assets, as they don't have shareholders to account to.

Cnooc's bold attempt last year to take over Unocal met defeat after **Chevron Corp.** raised its own bid and some U.S. congressmen tried to block the deal, citing national-security concerns.

The Nigerian deal falls squarely in line with Cnooc's earlier strategy of acquiring stakes in oil and gas fields to build its reserves. It is Cnooc's first acquisition outside Asia and biggest since the 2002 \$585 million purchase of Indonesian gas and oil fields from Repsol YPF SA of Spain.

Discovered in 2000, the Akpo field is operated by **Total SA** and owned by South Atlantic Petroleum Ltd., which is owned by Theophilus Danjuma, a former Nigerian defense minister.

Wood Mackenzie, an energy consultant based in Edinburgh, Scotland, estimated Akpo's recoverable reserves of light-oil condensate at 620 million barrels. At peak production, the fields are expected to produce 225,000 barrels of oil a day, according to Total. Nigeria, the largest oil producer in Africa and 11th biggest in the world, according to the U.S. Energy Information Agency, produces about 2.5 million barrels of crude oil a day. Mackenzie estimated Akpo's natural-gas reserves at 2.5 trillion cubic feet, compared with Nigeria's total estimated natural-gas reserves of 176 trillion cubic feet.

Despite the presence of rich reserves of oil and gas in the oceans off the Niger Delta, even the world's most technically adept oil companies have found themselves struggling against the challenges of lifting oil from such great depths. Anglo-Dutch giant **Royal Dutch Shell** took an extra two years and \$1 billion to develop the nearby Bonga deepwater oil field, which has reserves of some one billion barrels of oil.

Earlier yesterday, Cnooc's shares were suspended from trading in Hong Kong pending a "discloseable transaction."

--Cui Rong in Beijing contributed to this article.

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